

DOCKET SECTION

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December 13, 1997

Ms. Margaret Crenshaw
Secretary
Postal Rate Commission
1333 H St. NW
Washington, DC 20268-0001

RE: Postal Rate and Fee Changes, 1997 Docket No. R97-1

Dear Ms. Crenshaw:

Submitted herewith are an original and 24 copies of the testimony of Eugene E. Threadgill, on behalf of the American Public Power Association.

Copies of this testimony have been served upon all parties to this proceeding.

Respectfully submitted,


Eugene E. Threadgill

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

DIRECT TESTIMONY OF
EUGENE E. THREADGILL
ON BEHALF OF THE
AMERICAN PUBLIC POWER ASSOCIATION

December 13, 1997

I. PURPOSE OF TESTIMONY

1 This testimony presents the position of the American Public
2 Power Association (APPA) opposing all of the proposed increases in
3 post card rates, and requesting reductions in all post card rates
4 (single-piece, presorted, and automation).

5 APPA is the national service organization for the nation's
6 more than 2,000 municipal and other State and local government-
7 owned electric utilities. These are not-for-profit entities owned
8 by the citizens of the communities which they serve. Their
9 objective is to provide secure electric service to their owners and
10 customers at the lowest possible cost. In order to keep operating
11 costs to a minimum, many of those municipal utilities, sometimes
12 referred to as "munis", use post cards for billing purposes.

13 In addition to the municipal electric utilities, many county,
14 city, and town governments also provide gas, water, and sewage
15 services to their residents, and many use post cards to bill
16 customers for those services. In addition, many small businesses
17 use post cards for billing purposes; for example, some of the
18 distributors of the Washington Post use post cards to bill their
19 customers. There is a broad array of governmental and commercial
20 entities which provide basic services to the public at their
21 lowest possible cost. These public service entities will be
22 severely impacted by the proposed increases in post card rates.

23 It is very much in the national public interest to keep the
24 costs of the basic postal services from escalating, and to continue
25 to make available a very low cost service for small businesses to
26 bill their customers for services rendered. Clearly, the concerns

1 expressed by APPA regarding the proposed increases in post card
2 rates are much broader than the mere interests of its members.

3 Post card billers have already suffered major recent increases
4 in their postal costs, as a result of the reclassification in
5 Docket MC95-1; and the USPS proposes, in this case, to impose a
6 second round of increases which will adversely impact the customers
7 who receive electricity, gas, water and sewer services from
8 municipally owned service providers, and other small businesses.
9 It appears that the USPS has an undisclosed objective to force
0 business users of post cards to stop using cards and convert to
envelopes, which will generate more profits for the USPS. In the
2 Mail Classification case, Docket No. MC95-1, the USPS terminated
3 all of the post card presort categories except a "Basic" category,
4 and put into effect a series of Automated Presort categories. The
5 eligibility conditions for Automated Post cards impose very severe
6 obstacles to automation which have prevented most of the mailers,
7 which use post cards for billing, from having access to the
8 Automated rate categories. (See Exhibit APPA-1, p. 1). These
9 Automation eligibility obstacles, combined with the abolition of
0 the 5-digit and carrier presort rate categories, resulted in a very
substantial, and unanticipated, postal rate increase in 1996 for
2 most post card billers.

3 The municipal electric utilities, and the government agencies
4 providing water and sewer services, serve all users in a market
5 area, and have a very high density for their billing mail.
6 Consequently, most of them were able to use the carrier route

1 presort rate of 16 cents, prior to reclassification. As a result
2 of reclassification's elimination of the carrier presort rate
3 category, and the imposition of conditions which effectively bar
4 most post card bills from eligibility for automation categories,
5 many of the users of post cards for billing experienced a dramatic
6 rate increase in 1996 - 12.5% - from 16 cents to the Basic Presort
7 rate of 18.0 cents. Users of envelopes for billing could convert
8 from carrier presort to automated carrier sort, but most post card
9 billers had no such option. Consequently, no other category of
0 mail service experienced such a dramatic increase in postal costs
1 as a result of reclassification.

2 Now, the USPS is proposing an overall increase in letter rates
3 of 3.2%; a 5% increase in the single-piece post card rate, from 20
4 to 21 cents; a 5.6% increase for post card billers using Regular
5 Presort (18 cents to 19 cents); and greater increases for automated
6 cards, increases that will further injure the public. (See USPS
7 Exh.30 D). The present single-piece rate for post cards is
8 excessive by the statutory standards established by the Postal
9 Reorganization Act; and the Basic Presort rate is also excessive by
0 those statutory standards. The Commission should reject both the
1 proposed increase in the single-piece post card rate, and this
2 proposed second increase in the presorted post card rate.

3 In fact, the existing rates for post cards are excessive and
4 should be reduced, not increased. The Commission should restore
5 something approximating the long-standing relationship between the
6 "penny" post card rate and the historical 2 cent letter rate. As

1 shown below, under Rate History, present post card rates are far
2 out of line. Further, the Commission should direct the USPS to
3 consider whether some form of mitigation of automation conditions
4 for post cards is possible and should be undertaken in order to
5 allow presorted post cards to qualify for automation rates.

6 II. RATE HISTORY 7 RESTORE THE POSTCARD/LETTER RELATIONSHIP

8 USPS witness David Fronk testifies that, since the passage of
9 the Postal Reorganization Act, the basic first-class letter rate
0 has increased from 8 cents to 32 cents, and the post card rate has
1 risen from 6 cents to 20 cents. That abbreviated history fails to
2 disclose that the 1970 postcard/letter relationship was totally out
3 of line with the historical relationship between those two kinds of
4 mail. Those numbers fail to describe the very significant changes
5 in the relationship between letters and cards that have occurred
6 over the years. Congress and the Postal Service have, in recent
7 years, pressed to increase post card rates disproportionately to the
8 letter rates. The long standing, traditional, "penny post card",
9 in effect for about 65 years, from 1886 until 1918 and from 1920 to
0 1952, was only one-half or one-third of the letter rate. The
1 letter rate was increased to 3 cents and the post card rate to 2
2 cents in 1918, but both rates were returned to their prewar rates
3 of two cents and a penny in 1920. In 1925 the post card rate was
4 raised to 2 cents, but in 1929 it was returned to a penny. In
5 1933, the letter rate was increased to 3 cents, but the post card
6 rate was held at a penny. A complete history of the post card
7 rate, and the single-piece letter rate, is displayed on the next page.

FIRST-CLASS MAIL RATE HISTORY
(Letter Rates in cents per first ounce)

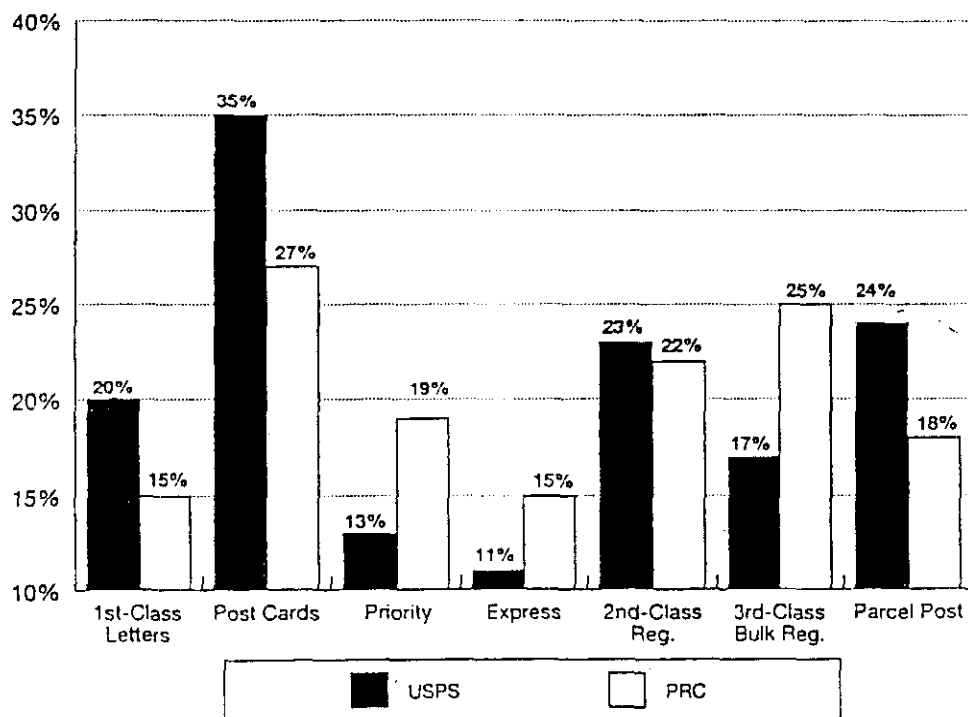
	<u>YEAR</u>	<u>POST CARD</u>	<u>LETTER</u>	<u>POST CARD/LETTER %</u>
1	1886	1	2	50
2	1887	1	2	50
3	1888	1	2	50
4	1889	1	2	50
5	1890	1	2	50
6	1891-1899	1	2	50
7	1900-1917	1	2	50
8	1918-1919	2	3	67
9	1920	1	2	50
10	1921-1932	1	2	50
11	1933	1	3	33
12	1934	1	2	50
13	1935	1	2	50
14	1936	1	2	50
15	1937	1	2	50
16	1938	1	2	50
17	1939	1	2	50
18	1940	1	2	50
19	1941	1	2	50
20	1942	1	2	50
21	1943	1	2	50
22	1944	1	3	33
23	1945	1	3	33
24	1946	1	3	33
25	1947	1	3	33
26	1948	1	3	33
27	1949	1	3	33
28	1950	1	3	33
29	1951	1	3	33
30	1952-1958	2	3	67
31	1959-1962	3	4	75
32	1963-1967	4	5	80
33	1/7/68	5	6	83
34	5/16/71	6	8	75
35	3/2/74	8	10	80
36	9/14/75	7	10	70
37	12/31/75	9	13	69
38	5/29/78	10	15	67
39	3/22/81	12	18	67
40	11/1/81	13	20	65
41	2/17/85	14	22	64
42	4/3/88	15	25	60
43	2/3/91	19	29	66
44	1/1/95	20	32	63
45	1998	Recommended Rates:		
46	USPS	21	33	64
47	APPA	18	33	55

1 In 1952 the "penny" post card rate was terminated, but for
2 about 57 years the post card rate had been 1/2 of the letter rate,
3 and for 9 years it had been 1/3 of the letter rate. In the period
4 1952 to 1970, the historical letter/post card relationship was
5 changed drastically. Those rates were subsidized by taxpayers, and
6 the letter rate was over subsidized. In 1970, Congress enacted the
7 Postal Reorganization Act, which directed that the Postal Service
8 become self sustaining, and established the criteria for
9 determination of fair and equitable rates. In the first Postal
10 Rate case, Docket No. R71-1, the letter rate was increased to 8
11 cents and the post card rate to 6 cents. In R74-1 the letter rate
12 was increased to 10 cents and the post card rate temporarily to 8
13 cents, but in the final order, the post card rate was rolled back
14 to 7 cents. In R76-1 the letter rate was increased to 13 cents,
15 and the post card rate to 9 cents. In Docket Nos. R77-1, R80-1,
16 and R84-1, the USPS sought 2 cent increases in the letter rate and
17 a one cent increase in the post card rate. In R87-1, there was a
18 3 cent increase in the letter rate and a one cent increase in the
19 post card rate. In R90-1, the USPS sought a 5 cent increase in
20 both the letter and post card rates, a proposed 20% increase in the
21 letter rate and a 35% increase in the post card rate. The
22 Commission rejected the proposed 5 cent increases in the letter and
23 post card rates, but recommended 4 cent increases in both
24 subclasses, amounting to a 15% increase in the letter rate, and a
25 27% increase in the card rate, which was the highest percentage
26 rate increase granted that year. (See Chart on the following page).

CHARTS FROM CHAIRMAN HALEY'S PRESENTATION
OF DOCKET R90-1 RECOMMENDED DECISION

January 4, 1991

Recommended Rate Increases



1 When the USPS requested a 20 cent post card rate in Docket No.
2 R90-1, APPA was so concerned that it, for the first time,
3 intervened in a postal proceeding and opposed that increase.
4 Although the Commission compromised with a 19 cent rate, that was
5 still the largest percentage increase applied to any subclass of
6 mail and was very damaging to post card users. In the last omnibus
7 rate case, Docket No. R94-1, the USPS proposed an approximately 10%
8 increase across-the board, which resulted in the present 20 cent
9 post card rate.

10 The driving force behind all increases in postal rates is
11 inflation. The Postal Service is a very labor intensive service
12 industry. Its contracts with the postal unions require annual cost
13 of living adjustments, and the salaries of supervisory employees
14 are also adjusted annually to reflect COLA. Those increases in
15 labor costs, offset by any increases in productivity, must be
16 passed on through increases in postal rates. But the proper policy
17 to recover the cost of inflation is an across-the-board percentage
18 increase in all rate classes, similar to that implemented in R94-1,
19 not the very discriminatory increases implemented in R90-1, which
20 took post card rates completely out of line. The one cent increase
21 proposed in this case for post card rates compounds the inequitable
22 base established in R90-1, and it should be totally rejected.

23 As the tabular history of the post card and letter rates (page
24 5, supra) clearly demonstrates, throughout most of postal history,
25 the post card rate was 50% or less of the letter rate. An 18 cent
26 post card rate would restore that historical relationship.

1 The policy implemented by the USPS in Docket No. R90-1, and
2 repeated in the current case, of seeking parallel "cent" increases
3 in the single-piece letter and post card rates is an adverse and
4 discriminatory policy. The four cent increases implemented in
5 Docket No. R90-1 resulted in a completely out-of-line post card
6 rate. Now, the USPS is seeking a 3% increase in the letter rate
7 and another out-of-line 5% increase in the post card rate.

8 In Mail Reclassification, Docket No. MC95-1, the Commission
9 compounded the discriminatory single-piece rates by accepting the
10 USPS proposal to terminate the 17 cent 3-digit presort rate
11 category, the 16.3 cent 5-digit presort rate category, and the 16
12 cent carrier route presort category, and to increase the "Basic
13 Presort" rate from 17.9 to 18 cents. For mailers which previously
14 had used the 16 cent carrier route rate, the increase to 18 cents
15 was a major increase and burden. Most presort post card mailers
16 experienced cost increases in their postal costs which other
17 mailers did not incur.

18 II. THE RATE MAKING CRITERIA DO NOT SUPPORT 19 AN INCREASE IN THE POST CARD RATE

20 Section 3622 (b) of the Postal Reorganization Act provides the
21 Commission with nine criteria for evaluating postal rate levels.
22 The relationships of those criteria to the proposed increases in
23 postcard rates are discussed below. A careful assessment of what
24 is fair and equitable, an analysis of the relative values of the
25 communication services provided by letters and post cards, an
26 examination of the direct and indirect costs, the alternatives
27 available, and the effect upon the public, demonstrate that the

proposed post card increases are not justified, and that the statutory criteria mandate post card rate reductions.

A. FAIRNESS AND EQUITY

In this case, the USPS proposes an increase of 3.1% for single-piece letters, and an increase of 5% for single-piece post cards. For Presorted letters and cards the proposed increases are 5.1% for letters and 5.6% for cards. For the automated categories of post cards, the proposed increases are monumental. As an examination of the relative values and costs of letters and post cards demonstrate, the present 20 cent card rate is excessive by the statutory criteria, and that rate should be reduced. In view of recent multi-billion dollar USPS profits, any revenue loss to the USPS that would result from reducing the present 20 cent card rate to 18 cents would be negligible. The demand price elasticity of cards is so great that the proposed increase of one cent could bring about a significant decrease in demand and a net loss in post card revenue; a two cent rate reduction could significantly increase demand and possibly generate a revenue increase.

B. VALUE OF SERVICE

If one thing is crystal clear, it is that the "value of service" of a post card is but a tiny fraction of the value of service of a letter, certainly not the 60+ percent implied by the proposed rate relationships.

1. **Privacy** - The primary difference between First-class Letters and Standard Letters is that First-class letters are private and sealed against inspection. But a post card, like

Standard mail, is open to public view; a post card provides no possibility of private communication. A competitor of a mailer could gain access to a post card users bills and use that information for competitive purposes. Clearly, privacy has value in the economic world, and the post card has no privacy-value.

2. Communication Quantity - The quantity of information that can be conveyed by a one ounce letter is from 6 times, for a one page double-sided letter (187 sq.in.) to 24 times, for four double-sided pages, as much as information that can be written on a 3.5" x 6" post card (31 sq.in.). Following the increase in the card rate resulting from reclassification, some APPA members decided that the greater value of letter communication was sufficient to propel them from card to letter bills. A communication which has from 4 to 17 percent of the capacity of a letter should not have a postal rate that is 60+ percent of the letter rate.

3. Demand Price Elasticity - one of the most significant quantitative measures of value of service used in establishing cost markups and coverage is the price elasticity of demand. (USPS-T-30, p.4) As Witness O'Hara testifies, the lower the own-price elasticity, the higher is the value of the service provided. The "Long-run Own Price Demand Elasticities", as reported by witness O'Hara (USPS-T-30 p.5) are as follows:

First-class letters	-0.232
Private cards	-0.944

Private cards (those not printed by the USPS) are 4 times as price elastic as First-Class letters; that indicates that the

1 service provided for post cards is in the range of one-fourth of
2 the letter value. Utilities which must bill their customers for
3 services are moving slowly to electronic communications. Post card
4 billers also have the option to pay more and shift to an automated
5 letter billing. Recent contacts with APPA members have indicated
6 that some of them are surrendering to the Postal Service's pressure
7 and are switching to letters for billing purposes, even though that
8 requires a substantial increase in charges to customers, or a loss
9 in the net revenue from the services provided. The dramatic
10 difference in demand price elasticity clearly requires a far lower
11 cost coverage for post cards than for letters.

12 These three aspects of "value" - privacy/lack of privacy,
13 quantity of communication, and tremendous differences in demand
14 price elasticity - which should be the most significant criteria
15 used in setting prices for postal services, demonstrate that a card
16 does not have 60+% of the value of a letter. The proposed
17 increases in the rates for post cards are totally out of line.

18 III. WEIGHT MAKES A DIFFERENCE

19 Six days a week carriers trudge from door to door carrying
20 heavy bags of mail. On a given day, a carrier may be delivering
21 electric, gas, water or sewer bills to the 400+ homes on the
22 carrier's route. If those bills are in envelopes which contain a
23 bill, a return envelope, and advertising, which runs the letter up
24 to one ounce, those letters would weigh 10 or 12 times as much as
25 post card bills. The USPS has recognized that weight makes a
26 difference in setting prices for its services. In 1991, the USPS

1 made available a half-ounce rate for mail to Mexico. The Assistant
2 Postmaster for International Affairs stated that this would allow
3 letters up to 2 pages (about 5 times the communication quantity of
4 a postcard) to be mailed for 35 cents.

5 IV. IMPACT UPON THE PUBLIC

6 Post cards, throughout our nation's history, have always been
7 the lowest cost means of communication between citizens of the
8 United States. The dramatic increases in the post card rate, from
9 the traditional "penny" post card to the present 20 cent card, have
10 severely impacted the nation's use of that low cost means of
11 communication. The Commission should show its concern for the
12 public by requiring a reduction in postcard rates in this case.

13 As previously explained, the governmental organizations which
14 provide basic services to the public - electricity, gas, water, and
15 sewer - are at the center of our most essential national
16 infrastructure. It is mandatory that the costs of those basic
17 infrastructure services be kept to an absolute minimum, and that
18 they must not be compelled to subsidize other commercial services.

19 The increases in post card rates that were allowed in Docket
20 No. R90-1 placed a heavy burden upon the public's use of post
21 cards. And the reclassification in Docket No. MC95-1 imposed
22 another heavy burden on governmental and commercial use of an
23 essential means of communication to bill customers for essential
24 services provided to the public. The Commission can, in this case
25 restore the confidence of the public in government, and the
26 availability of an inexpensive means of essential communication.

1 The Commission should exercise its authority by reducing both the
2 Single-piece and the Basic Presort post card rates.

3 V. COST COVERAGE

4 The final rate decision, which is made after evaluating the
5 value of service, elasticity of demand, and other statutory
6 criteria, is the "cost coverage" to be assessed. In this case, the
7 USPS has calculated "cost" as the volume variable cost, and the
8 calculated cost coverage is the projected revenue from a category
9 divided by its volume variable cost. In the case of "worksharing"
10 post cards (the aggregate of presorted and automated cards) the
11 projected cost coverage is 267.11%. (Exhibit USPS-30B, p. 43) That
12 is a cost coverage only slightly below the 282.29% cost coverage
13 for worksharing letters, and far above any other category of
14 service (other than "mailgrams"). Even if the discounts for
15 worksharing letters can be justified, which appears to be doubtful,
16 given the much more limited value, and much greater price
17 elasticity, of worksharing cards, the 267.11% cost coverage is
18 totally unjustified.

19 USPS witness Sharon Daniel (USPS-T-29) reports the estimated
20 total Unit Costs of Single-Piece cards to be 11.429 cents, and
21 Presort cards to be 7.7568 cents. Other witness will address the
22 validity of the USPS cost analyses, but those costs are accepted
23 for the purpose of this analysis. The USPS proposes a 21 cent
24 single-piece post card rate, which would represent a 9.6 cent
25 contribution to system costs, a 83.37%, mark-up. The projected
26 total unit cost of Presort cards is 7.7568; the proposed rate is 19

1 cents, producing a contribution to system costs of 11.2 cents, a
2 145% mark-up. That is simply a staggering and out-of-line rate for
3 a mail piece of very low value and very high elasticity, and which
4 imposes very little cost on postal operations. It is undeniable
5 that bulk, presorted mail imposes far less cost burdens on postal
6 system operations than single-piece mail. Presorted mail makes no
7 use of the retail postal system for the purchase and sale of
8 stamps; presorted mail bypasses almost all of the out-going mail
9 processing operations. Consequently, the unit per-piece
10 contribution to system costs by presorted cards should be less than
11 the unit per-piece contribution by Single-piece cards. The unit
12 contributions proposed by the USPS are totally out of line.

VI. REVENUE IMPACT

1 The revenue impact of these recommended reductions in across-
2 the-board post card rates should be negligible. Witness O'Hara
3 projects Before-Rate-increase Total Cards revenue for Fiscal 1998
4 of \$1,059,843,000 and After-Rates total revenue of \$1,088,979,000.
5 That represents an increase in revenue of only \$29,136,000. Given
6 the elasticity of demand for post cards, a rate reduction might
7 actually generate an increased volume, and an increase in post card
8 revenue. With the USPS seeking a total increase in revenue of
9 \$2,242,407,000 (Exhibit USPS-30 A and B), even if there were a loss
10 of post card revenue of \$29 million, that loss would amount to a
11 revenue reduction of about 1.3%. The benefits to the public of a
12 reduction in post card rates would be very substantial. Any loss
of revenue to the USPS would be trivial.

VII. PRESENT AUTOMATION CONDITIONS ARE BURDENSOME

The standard post card used for billing customers for services rendered is 3.5" x 6", with a perforated vertical tear-strip that separates the card into a 3.5" portion containing the customer's billing information, and a 2.5" address stub to be returned to the mailer. That address stub is too narrow to contain the complete 11 digit barcode required for eligibility for automation rate categories. (See Exhibit APPA-1, p. 1) Consequently, many users of post cards for billing and other business purposes have not been able to qualify their post cards for automation rates.

Exhibit APPA-1, p. 2 shows two cards recently designed to meet automation eligibility standards. Card A has a 3.75" address stub, wide enough for the full barcode, and a 2.25" portion containing billing information. However, the 2.25" portion might not be sufficient to accommodate the full information required by some utilities. Card B has a horizontal strip across the bottom, which permits the full barcode to be printed below the address. However, such a configuration requires a complete revision of the computer program and printer that prints the bills.

There appear to be two other possible methods which might be employed to allow post card billers to meet automation standards. (See Exhibit APPA -1, p.3) First, (Card C) the length of a permissible post card could be extended to 7 inches, to allow the usual 3.5" information stub and a 3.5" address stub. Second, on Card D, the first five digits of the bar code are omitted. Local electric, water, and sewer utilities presort most of their bills

1 and deliver their mail to local 5-digit destination postoffices.
2 Under those circumstances, printing the entire 11 digit barcode
3 across the stub of a post card may be unnecessary and unduly
4 burdensome. Printing the last 6 digits might be sufficient for
5 automated sorting to carrier routes and walk sequence.

6 Some compromise could be reached, as has been done in the
7 past. For example, in Docket No. MC73-1, the Postal Service
8 proposed to increase the minimum height of a postcard from 3" to
9 3.5" in order to implement its new letter sorting machines (LSM).
10 At that time, before extensive use of computers, the standard post
11 card used for billing by utilities was a 3.25 inch punch-card
12 printed by a reproducer. The Council of Public Utility Mailers
13 (CPUM), which then represented electric and natural gas utilities,
14 had many members which still used that old punch-card for billing,
15 and the prospect of increasing the minimum size for eligible cards
16 would have disastrous consequences, if implemented immediately. In
17 response to CPUM's opposition, the change-in-size issue was
18 postponed, but was renewed by the USPS in MC77-2. In that case,
19 CPUM pointed out that most utility post cards were sorted to
20 carrier routes and were delivered to destination postoffices and
21 carriers without any requirement for LSM processing. A separate
22 proceeding, Docket No. MC79-1, was established, and, in that case,
23 a compromise was worked out that allowed the 3.25" cards to
24 continue to be accepted until June 2, 1982, so long as they were
25 presorted to carrier routes.

26 Some similar compromise could be reached in this case. As

explained, post cards presorted to 5-digits, or to carrier routes, do not need to go through the first rounds of automation processing at the outgoing sectional center that sends mail to 3 and 5-digit destinations. At the destination centers, where mail is sorted by automation equipment to carriers and to walk sequences, the first five digits of the automation code are irrelevant. Therefore, post cards delivered to destination offices should be eligible for 5-digit and carrier sorted automation rates with only the last 6 digits of barcodes in the address. The alternative, possibly a 3.5" x 7" card, should also be explored.

VIII. SUMMARY

The Commission should take into consideration past actions by the USPS, which have resulted in a Single-piece post card rate that is quite excessive when compared with the historical relationships, and the relative values, of letters and post cards, and the automation reclassification, which resulted last year in a major rate increase being imposed upon post card billers. The Commission should provide some relief for all users of post cards in the current rate case. As shown in the following table, our recommended 18 cent single-piece post card rate would be 54.5% of a 33 cent letter rate, consistent with the long standing historical relationship. Additionally, such a rate relationship would be more consistent with the regulatory standards, considering the zero privacy, very limited communication capacity, 8.5% weight, and 4 times the price elasticity of letters:

Comparison of Letters and Post Cards
At APPA Recommended Rates

Criteria	Letter	Post card	PC/Letter Ratio
Rate	33 cents	18 cents	54.5%
Privacy	Sealed	Open	Zero
Communication	8 pages	1/3 page	5%
Weight	1 oz.	1/12 oz.	8.5%
Elasticity	-0.232	-0.944	400 %

A Basic Presort rate of 15 cents would have a mark-up of total unit costs (7.7568 cents) of almost 100%. An 18 cent single-piece post card rate, and a 15 cent Basic Presort post card rate would be clearly consistent with the statutory standards.

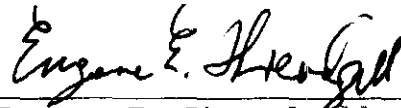
IX. CONCLUSION

First, the record in this case demonstrates that the present 20 cent single-piece rate for post cards is quite excessive, by every statutory standard, as compared with the proposed 33 cent Single piece First-class letter rate. Consequently, the proposed increase in the single-piece post card rate should be rejected. As shown above, an 18 cent post card rate and a 33 cent letter rate would be far more consistent with the historical relationship and with statutory standards.

Second, the record is clear that the present two cent "discount" for basic presorted post cards is punitive and fails to provide the rate differential required by the statutory standards. The Basic Presort discount should be increased to 3 cents.

Third, the USPS should be directed to consider some modification of the Automation conditions for post cards presorted

to 5-digits and carrier routes, and delivered to a destination 3 or
5 digit postoffice, to allow those presorted post cards to qualify
for the Automation categories without the full 11 digit barcode.
It might also be useful to consider the ramifications of an
enlargement of permissible post cards to 7 inches.



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Georgetown University, J.D., 1944
University of Florida, B.A. With Honors, 1940
American University - course work for M.A. in
Economics completed, 1948-50
Federal Legislation Editor, Georgetown Law
Journal, 1943-4

Employment:

1972-97 Private Law practice before the Postal Rate
Commission, the Federal Energy Regulatory Commission
and Courts, representing bulk first-class mailer
Associations; pipelines, gas distribution companies
and competitors

Testified before Congressional Committees
regarding postal matters; submitted recommendations
to the Postal Service and to Congress that (1) the
function of regulation of postal rates and
classes by the Postal Rate Commission should be
merged with regulation of telecommunications
and transportation services (2) the Board of
Governors of the Postal Service should have its
own staff of lawyers and economists to write
its decisions (3) carriers should collect data for
population census and demographics; Advised
committees of the General Accounting Office
regarding proposed revisions of the Private Express
Statutes and Postal Reform legislation

Testified before Congressional Committees
regarding energy policy issues

1971 Assistant General Counsel, Postal Rate Commission -
Supervised preparation of Commission orders;
assisted in presentations to Congressional
Committees reviewing operations of the U.S. Postal
Service and the Postal Rate Commission, created by
the Postal Reorganization Act of 1970

- 1969-70 Judge, Board of Contract Appeals, General Services Administration; adjudicated contract disputes
- 1968-9 Consultant, National Iranian Gas Company, Teheran, Iran - prepared contract for sale of natural gas to Soviet Union (Sojuznefteexport)
- 1957-68 Private law practice (Wolf and Case; Connole & O'Connell) representing pipelines, natural gas producers and gas utility companies before the Federal Power Commission
- 1955-57 Consultant, Sui Gas Transmission Company, Karachi, Pakistan - drafted contracts for sale of gas to Karachi Gas Company and Indus Gas Company; consulted regarding revision of gas purchase contract with Pakistan Petroleum
- 1951-55 Trial Attorney, Federal Power Commission Litigated cases and wrote opinions
- 1948-50 Attorney Advisor, National Labor Relations Board - wrote NLRB decisions and orders
- 1946-7 Assistant Professor, Farragut College and Technical Institute, Farragut, Idaho; taught courses in Economics and Economic History, Mathematics and Law
- 1944-6 Law Clerk, Chief Judge William E. Richardson, District of Columbia Court of Appeals
- 1942-4 Economic Statistician, Gasoline Rationing Branch, Office of Price Administration - analyzed demand for and supply of gasoline, recommended changes in coupon ration program

Published Papers

- Insurance Under the Sherman Act, 32 Georgetown Law Journal 66, November, 1943
- Resource Pricing of Natural Gas Field Sales, Public Util. Fortnightly, Oct. 1966
- Utility Regulation of Postal Rates and Classes, Public Utilities Fortnightly, May, 1977
- Anti-Competitive Abuse Under the Natural Gas Policy Act, Pub. Utilities Fortnightly, March, 1988
- A Perspective on Pipeline Pricing Under the Natural Gas Act, 16 Energy Law Journal 441, November, 1995

BILLING POST CARDS

Exhibit APPA-1

Current Typical Standard Billing Post Card

FROM MO. DAY		TO MO. DAY		LAST DAY TO PAY NET MO. DAY YEAR		
7	20	9	20	10	30	97
PREVIOUS READING	PRESENT READING	CONSUMED IN 100'S	CODE	AMOUNT	EUGENE THREADGILL	
432	564	125	WA	70.50	1493 CHAIN BRIDGE RD MCLEAN, VA 22101 #1001049 #	
			SW	0.00		
			GB	0.00		
			UT	0.00		
			AR	3.43		
ACCOUNT NO.	NET BILL	GROSS				
1001049	74.03	77.56				
WA - WATER SW - SEWER			GB - GARBAGE AR - ARREARS		UT - UTILITY TAX SV - SERVICE	
			PLEASE DETACH AND ENCLOSE WITH MAIL PAYMENT			

THREADGILL EUGENE
1493 CHAIN BRIDGE RD
MC LEAN VA 22101-5726



The complete barcode required for Automation will not fit on the 2.5 inch return stub

Present Automation-Compatible Billing Post Cards

A. Post Card with Horizontal Return Stub

COMBINED UTILITY SYSTEM					PHONE 868-4013 AFTER HOURS 868-2236	
P.O. BOX 619 EASLEY, SC 29641-0619						
SERVICE BILL FOR S. P. BAND					PRESORTED FIRST-CLASS MAIL U.S. POSTAGE PAID EASLEY, SC PERMIT NO. 110	
912 EAST END AVE						
DATE	COOP	UPPER READINGS	MULT	CONSUMPTION	AMOUNT	
21	210443	209651	1	792	6.19	
31	16613	13919	1	694	58.71	
41			1		11.26	
IT VIOLATES THE LAW TO ATTACH ANY SIGNS TO TELEPHONE/POWER POLES						
AVERAGE DAILY COST					\$ 2.46 FOR 31 DAYS	
SERVICE FROM					9/05/97	
SERVICE TO					10/06/97	
ACCOUNT NO					21-1360-10	
DATE OF BILL					10/09/97	
MUST BE PAID BY					AMOUNT DUE	
10/19/97					76.16	
CODES ON REVERSE SIDE RETURN BOTTOM STUB WITH PAYMENT						
ACCOUNT NO: 21-1360-10					S. P. BAND	
MUST BE PAID BY: 10/19/97					912 EAST END AVE	
AMOUNT DUE: 76.16					EASLEY SC 29640-3132	

B. Post Card with a 3.75" Return Stub

ANY UTILITIES P.O. BOX ANYTOWN, MD Tel:		FIRST CLASS MAIL U.S. POSTAGE PAID Permit No.	
RETURN POSTAGE GUARANTEED Account Number : 10002921 Date Meter Read : 10197			
Present Reading : 255624 Previous Reading : 255624 Total Used : 6134 Charges/Credits : 12.45 Previous Unpaid : 0.00 ⇒ Net Amount Due \$ 109.87 10/97 37 ⇒ To be Paid By :			
10002921--\$ 109.87- SOME VINEYARDS, 0000 UPPER LAKE RD LODI NY 14860-0000 			

BILLING POST CARDS

Exhibit APPA-1

Possible Alternative Automation-Compatible Billing Post cards

C. Illustrative 7" Post card

FROM		TO		LAST DAY TO PAY NET		
MO.	DAY	MO.	DAY	MO.	DAY	YEAR
7	28	9	29	10	30	97

PREVIOUS READING	PRESENT READING	CONSUMED IN 100'S	CODE	AMOUNT
433	564	123	WA	70.60
			SW	0.00
			GB	0.00
			UT	0.00
			AR	3.43

ACCOUNT NO.	NET BILL	GROSS
1001049	74.03	77.56

WA - WATER
SW - SEWER
GB - GARBAGE
AR - ARREARS
UT - UTILITY TAX
SV - SERVICE

PRE-SORTED

First Class Mail
U.S. Postage
Paid

#1001049

NET BILL	GROSS
74.03	77.56

PLEASE DETACH AND ENCLOSE WITH MAIL PAYMENT

EUGENE E THREADGILL
SUITE 200
1493 CHAIN BRIDGE RD
MCLEAN VA 22101-5726

RETURN POSTAGE GUARANTEED

D. Standard Post card with first 5-Digits of barcode omitted

FROM		TO		LAST DAY TO PAY NET		
MO.	DAY	MO.	DAY	MO.	DAY	YEAR
7	28	9	29	10	30	97

PREVIOUS READING	PRESENT READING	CONSUMED IN 100'S	CODE	AMOUNT
433	564	123	WA	70.60
			SW	0.00
			GB	0.00
			UT	0.00
			AR	3.43

ACCOUNT NO.	NET BILL	GROSS
1001049	74.03	77.56

WA - WATER
SW - SEWER
GB - GARBAGE
AR - ARREARS
UT - UTILITY TAX
SV - SERVICE

PRE-SORTED

First Class Mail
U.S. Postage
Paid

#1001049

NET BILL	GROSS
74.03	77.56

PLEASE DETACH AND ENCLOSE WITH MAIL PAYMENT

EUGENE E THREADGILL
STE 200
1493 CHAIN BRIDGE RD
MC LEAN, VA 22101-5726